



December 22, 1999

JERALD V. HALVORSEN
PRESIDENT

The Honorable Thomas J. Bliley, Jr.
2125 Rayburn Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

I want to thank you for providing the Interstate Natural Gas Association of America (INGAA) with the opportunity to comment on H.R. 2944 as reported from the House Energy and Power Subcommittee on November 3.

Despite the hard work of many on the subcommittee, especially Chairman Barton, the bill moves in a more parochial direction that makes it more difficult to achieve a national, vibrant electric utility market. That 24 states have taken action to open their electric systems to consumer choice makes it more important than ever to have a competitive interstate transmission grid. The following are INGAA's comments on some of the key provisions of the legislation:

Section 3 not only grandfathers states' authority to determine consumer protections, interconnection standards, aggregation and net metering, it grants states this authority for three years after federal enactment. This creates uncertainty and limits the players in the market only to those larger players that can deal with numerous, varied state regulations. Those states that are moving to consumer choice should want common interconnection standards, methods of aggregation, etc., to encourage more players in the marketplace and, thus, more choice for consumers.

Section 101(b) takes regulatory authority away from FERC by stating that states will have jurisdiction over the transmission associated with bundled sales. Again, this is moving in the wrong direction. INGAA and its interstate natural gas pipeline members have a great deal of experience with industry restructuring, as we have been through it over the last 15 years. The consensus is that interstate pipelines have become more competitive and customer-focused as a result. Having one clear set of rules for natural gas transmission at the national level was a crucial component to implementing these changes – changes that have resulted in lower prices, new services and better reliability for all classes of natural gas consumers. INGAA encourages the House Commerce Committee to move legislation that is modeled after our interstate natural gas transmission system, in that it provides the non-discriminatory, open access, and unbundled transmission of electricity. States would retain authority over rebundled electricity sold to the ultimate consumer while FERC would be given authority over the entire transmission grid.

INGAA is pleased that the legislation directs FERC, giving deference to the views of the states, to determine which wires are distribution and which are transmission. This is key to clarifying authority between FERC and the states.

INGAA also is pleased that the legislation requires TVA, the Bonneville Power Administration, the South West Power Administration and the Western Power Administration to participate in

regional transmission organizations. To develop an effective interstate transmission grid, all transmission parties must be included. We also are pleased that the legislation directs FERC to encourage voluntary, innovative transmission pricing policies.

INGAA can support the 180-day time limit placed on FERC's ability to review electric utility mergers or disposition of property. This will help minimize uncertainty that can result from protracted proceedings and indecision.

We strongly support the clean repeal of the Public Utility Holding Company Act. PUHCA was intended to protect investors in the electric and natural gas utility industries. Since PUHCA became law in 1935, other subsequent laws have been enacted to protect investors, and state public utility commissions have been working to protect consumers. PUHCA now serves as a barrier to competition.

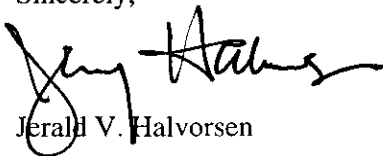
However, it appears that the Subcommittee bill has given FERC and the states authority to obtain more access to the books and records of affiliates of a public utility or natural gas company. INGAA believes that FERC and the states already have sufficient authority to reach all the relevant books and records of a utility and its affiliates. PUHCA was not intended to protect the ratepayer; other state and federal laws address that. But what will help the consumer is strong competition. INGAA is concerned that giving FERC and the states more authority to examine affiliates' books and records will permit competitors to review our members' affiliate books during rate cases, thus weakening their ability to compete.

INGAA also supports prospective repeal of Section 210 of PURPA while maintaining all existing contracts under Section 210.

Finally, we are most supportive of the Wilson amendment that establishes national interconnection standards for distributed generation. Having one set of technical standards for distributed generation equipment helps to encourage the greater use of on-site generation. INGAA notes, however, that Section 3 of H.R. 2944 largely precludes efforts to establish national interconnection standards, by giving states up to three years to create their own. The national market for this type of equipment speaks to the need for one national set of standards. We also hope the Committee will make it clear that the costs associated with interconnection should be non-discriminatory.

INGAA encourages the Committee to move early to improve Subcommittee's the bill. As noted above, while there are serious flaws with H.R. 2944 as reported, there are many good provisions in the legislation. We want to work with you and all the members of the Committee to pass legislation that will create a vibrant interstate electric transmission grid.

Sincerely,



Jerald V. Halvorsen